

DATE ISSUED: December 5, 2001

REPORT NO. 01-257

ATTENTION: Honorable Mayor and City Council
Docket of December 10, 2001

SUBJECT: Miramar Recycling Center Service Contract/Real Property Lease

SUMMARY

Issue – Should the City Council authorize the City Manager to execute a new agreement with Allan Company for the operation of the Miramar Recycling Center?

Manager's Recommendation – Approve the agreement.

Other Recommendations – None

Fiscal Impact – Revenues from the agreement are estimated at \$16,251 for the first year of the agreement increasing to \$65,400 annually in the fifth year of the agreement and increasing to \$77,400 annually if the contract is extended to a sixth year.

BACKGROUND

The City is required by the California Integrated Waste Management Act of 1989 (AB939) to reduce the waste it landfills by 50 percent by the year 2000 against a 1990 base year, and maintain this diversion in following years. The Environmental Services Department (ESD) operates many recycling and educational outreach programs to reach this goal. Among these is a contract with Allan Company to operate the Miramar Recycling Center (Center), located at the entrance of the City's Miramar Landfill, to provide a convenient location for the public to recycle.

The current contract, which began on May 7, 1999, is for two years with three one-year extension options. We are now in the third year of the contract. Allan Company currently pays rent of \$301 per month to operate the two-acre Center. During the existing contract period Allan Company has spent \$250,000 on permanent site improvements, which will remain on-site after their agreement is terminated. In addition, Allan Company has spent 50 percent more than

required on advertising, provided additional staffing, increased customer usage by 20 percent, increased material tonnages processed and expanded recycling opportunities to small businesses.

When the RFP process was conducted for the current contract, it was sent to approximately 30 recycling center operators throughout southern California and only two bids were received. When the ESD attempted to award the contract to the highest bidder, the company withdrew its proposal, leaving Allan Company as the only responsive bidder. Therefore, Allan Company was awarded the contract.

DISCUSSION

In negotiations for exercising the first one-year extension option for the current contract, Allan Company offered to pay increased rent, make over \$150,000 in additional capital improvements, and provide additional services to the City and the public in return for a new contract with a base of five years with a three-year extension clause, which would automatically renew every year (an “evergreen”). The ESD worked directly with Allan Company to develop the attached contract. This was done without conducting a new RFP on the basis of the lack of response to the last RFP, and the fact that proposed facility upgrades and customer service improvements would make bidding on a new RFP even less appealing to potential bidders.

Allan Company requested this contract term and extension clause to allow them sufficient time to recover the costs of the proposed improvements. The extension clause was modeled after the extension clause used in the City’s Non-Exclusive Franchise Agreements for Solid Waste Management Services. The clause could be exercised at the end of the second year, and each year thereafter, if agreed upon by the parties and approved by the San Diego City Council by resolution. Exercising the clause would result in one year being added to the agreement, therefore making the term four years. There is no limit on the number of times the clause could be exercised. If the clause was not exercised, it would serve as the three-year notice for the termination of the agreement.

The proposed capital improvements include laying concrete on the remaining 35,000 sq. ft. of unpaved area within the Center, installing class 2 aggregate and concrete on areas surrounding the Center, and installing Photo Voltaic (PV) systems at the Center and the ESD’s Household Hazardous Waste Transfer Facility to help power the facilities. Installation of these PV systems will help the City in meeting its alternative energy commitments. Customer service improvements include conducting a pilot project for accepting appliances such as washing machines, clothes dryers, hot water heaters, stoves and refrigerators; additional promotion of electronics recycling for items such as monitors, computers and peripherals, and small appliances; purchasing/erecting an informational kiosk to provide Center customers with information on ESD programs; and paying for signs visible from the freeway once the master plan for the landfill entrance is approved. These improvements will result in additional material tonnages being received at the Center, which will help the ESD in its efforts to meet the AB939 waste diversion goal.

ALTERNATIVE

Do not adopt the new agreement and continue operating under the current contract. This would result in the loss of \$16,000 - \$77,000 in estimated annual revenues, no expanded recycling services for appliances and electronic waste, and no permanent facility upgrades.

Respectfully submitted,

Richard L. Hays
Environmental Services Director

Approved: George I. Loveland
Senior Deputy City Manager

HAYS/KPP

Note: The attachment is not available in electronic format. A copy is available for review in the Office of the City Clerk.

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